

Neighborhood Planning for Community Revitalization

HEALTH CARE FOR HOUSES:

**Suggestions to Help Market Boarded and Vacant Houses
for Rehabilitation in Central Neighborhood**

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Center for Urban and Regional Affairs
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for Rehabilitation in Central Neighborhood**

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I. INTRODUCTION

Central Neighborhood is bounded by Lake Street on the north, 38th Street on the south, Interstate 35W on the west and Chicago Avenue on the east. Appendix A shows Central highlighted on a map of Minneapolis. Compared to other neighborhoods in the city, it is relatively small. However, it has more than its share of vacant and boarded buildings. The Central Neighborhood Action Plan explains that out of approximately 1750 residential buildings in the area, 10% to 20% of the residential units stand boarded or vacant at a given time.

Central Neighborhood is known as the heart of the city. Just as the human heart relies on each cell to function properly, so is each property important to the health of this community. The question then arises of what should be done with boarded and vacant properties. Arguments for rehabilitations versus demolitions involve the issue of money. The total price of a demolition and new construction involves several costs. Acquiring a boarded or vacant property costs anywhere from \$0 to \$10,000 and the actual demolition usually runs about \$9,000. Construction (hard) costs and administrative fees (soft costs) usually come to about \$105,000 and \$10 - 15,000 respectively. This comes to a total of at least \$120,000. New constructions usually sell for \$80,000 to \$90,000 so they require a direct gap subsidy of around \$30,000. For a rehab, acquisition costs are the same, \$0 to \$10,000. The rehab itself may cost \$50,000 to \$100,000. So the total cost of a rehab is cheaper than a demolition and new construction. Those in favor of a demolition argue that since the selling price of a rehabbed house is less than a new construction, rehabs require a larger gap subsidy, sometimes as much as \$45,000 from neighborhood organization funding sources.¹ But there are other values to be considered.

Many of these boarded or vacant buildings are a potential asset to the community. The historic character is a unique and valuable quality of the housing stock in Central, as most of the neighborhood was built by 1920.² Houses from this period are large and contain woodwork and other elements not found in new constructions. Twenty years from now, the character and quality of a rehabbed house will most likely outlive a new construction. In addition to a character filled housing stock, Central Neighborhood has a number of other assets that make the area worthy of investment. A study described the neighborhood as, "... close to major transportation arteries and to downtown shops and services. It has good public transportation; and it is located near two large, stable corporations - Abbott Northwestern Hospital and Honeywell. Honeywell has actively supported the neighborhood by sponsoring housing projects and other activities. In addition, there is a core of long time residents, most of whom are home owners. According to the Minneapolis Planning Department, 57.2% of neighborhood housing is owner occupied."³ Another valuable argument is that rehabs encourage nearby property owners to invest in their own homes.⁴

¹ Stuart Alger, CURA research assistant for forthcoming report on these costs

² *Central Neighborhood Planning Information Base*

³ Mosley, Betty, *Central Neighborhood Study*, Minneapolis, 1994

⁴ *The Fiscal Impacts of the St. Paul HOUSES TO HOMES Program*

II. PURPOSE

Enhancing the physical structure of the neighborhood is one of the goals defined in the Central Neighborhood Action Plan. The rehabilitation of boarded and vacant houses is a major part of this goal for the reasons discussed above. Statistics from the Minneapolis Community Development Agency (MCDA) show that there have been many more demolitions than rehabs in the city of Minneapolis (See Appendix B)⁵. In the interest of increasing the occurrence of rehabs in Central, the Central Neighborhood Improvement Association (CNIA) initiated this research project to learn who has done successful rehabs in the past, why they did the rehabs, and what they learned in the process. The objective was to identify a market for these houses and to suggest how available marketing funds could be used. Testimony from those who have experienced a rehab will provide future rehabbers with valuable information as well.

III. METHOD

Available information allowed us to examine properties rehabbed in the past four years. However our time frame goes back a little bit farther, to 1988, the earliest date at which one of these properties became boarded. The first task of this project was to identify those properties which had at one time been vacant or boarded and now are occupied. A number of sources were used to compile this inventory.

The city inspections department provided a list of completions from 1993 to the present. This list identifies properties that had been on the 249 list (boarded, vacant and condemned) and were removed from that list due to a demolition or rehab. The completion list includes information such as the year built, the date boarded, date of completion and owner for a given property. They are sorted by the action performed on the building. The inventory began with properties that were completed for rehab.

A second source of reoccupied properties came from the CNIA database. This database follows approximately 200 properties in Central as they become problems, vacant or boarded. Based on drives through the neighborhood, a number of properties were identified as "reoccupied" as of June, 1997. This means that they were previously on the database as a problem property or boarded and vacant. Those properties classified as "reoccupied" that did not overlap with the 249 completion list may have been vacant at sometime, but not condemned and on the 249 list.

A third source of information for the inventory came from the MCDA. They provided a list of owners who had participated in the Hope 3 Urban Homestead program. With this program the MCDA purchases vacant or foreclosed properties and provides mortgage funds to the owner for rehab work. These rehabs are completed before owners move in.

From these sources, the first draft of an inventory was compiled. Out of 78 properties on

⁵ Taken from Monday, August 25 issue of the Minneapolis Star Tribune

the list, 49 came from the completion list, 7 from MCDA and 22 from the CNIA database. The inventory changed significantly over the course of the project as properties were added and as properties were removed for not being a rehab, never having been vacant, or becoming vacant again. Walks through the neighborhood revealed that 7 on the original inventory had reverted back to being boarded or vacant. The final inventory consisted of 64 total reoccupied properties. It should be understood that this inventory represents just one picture in an ongoing process of change.

Of the 64 properties identified as reoccupied, 5 are owned by an organization or agency. One of these was turned back to HUD after being rehabbed, another was turned back to SNHS after being rehabbed. One has been rehabbed, rented and is owned by Salem Baptist Church in North Minneapolis. Another, owned by Minnesota Teen Challenge, serves as a temporary residence for troubled teens. The fifth is owned by the MPHA. It is unclear what is happening with this property. Therefore we looked to contact the remaining 59 owners who have been involved in the rehab of a boarded or vacant property. See Appendix C for a map of these 59 reoccupied properties

The next step was to determine the homestead status of each property. The Hennepin County Tax Office provided this information. They have a computer system that contains the owner and owner's mailing address for any given property. This determined that out of the 59 properties to be examined, 37 were owner occupied and 22 were not. Comparing this database with the completion list, it was also determined that 10 properties have changed owners since the time of the rehab. In the case of these 10 properties, we attempted to contact the person who owned the property at the time of the rehab.

To answer the questions posed in this project, a survey was designed for the owners of houses that were once vacant or boarded and have since been rehabbed. Two versions were made to accommodate the different situations of owner occupancy and non-owner occupancy. A copy of each of the surveys is located in Appendix D and E. Each contains approximately 29 questions that aim to cover three areas of information: characteristics of the owner, dates and facts of the rehab, and opinions of the owner.

The survey was administered in three ways - over the phone, by mail and in person. A means of contact depended on the availability of a phone number for each owner and their status as owner occupant or not. We first attempted to contact owners by phone. For those with unlisted numbers, we tried going door to door for owner occupants and sent a mail survey to owners who lived elsewhere.

IV. RESULTS

Attempts were made to contact 59 owners and previous owners who have rehabbed a once vacant or boarded property in Central Neighborhood. Of 31 attempted phone interviews, 23 were completed. Of 9 mail surveys, 2 were returned, and of 19 attempted door to door calls, 8 were answered. This enabled us to work with data from 33 surveys or 56% of the reoccupied residential properties. Before presenting the results, it is important to consider a number of reoccupation scenarios, or processes by which a building is rehabbed and reoccupied:

1. In the first scenario, the owner completed the rehab - either doing the work themselves or hiring people to do the work. The owner then resides in the building. This was the case with 11 out of the 33 sample properties.
2. In the second scenario, the owner lives in the building, but the majority of the rehab work was covered and carried out by one or more agencies such as MCDA, Southside Neighborhood Housing Services (SNHS), or Powderhorn Residents Group (PRG). 11 out of the 33 sample properties went through this process.
3. In the third scenario, the owner acquires a boarded and vacant property to rehab and then sells it for a profit, never living in the building. In this scenario, the owner was interviewed as a non owner occupant. Only 2 cases like this appeared in the survey.
4. In the fourth scenario, the owner rehabbed the building and rents it out while living elsewhere. This scenario accounts for 7 out of the 33 property sample
5. The fifth scenario is a modification of scenarios 3 & 4. It is similar except that the owner is a company working with investment properties. They do the rehab and then rent or sell it. These companies are often run by an individual or couple who may own several other properties. One investor interviewed owns over 85 rental properties. Investors like this appeared 2 times in the survey
6. This last scenario occurs when an organization reoccupies a previously boarded or vacant property. One example is Minnesota Teen Challenge. 5 properties off the final inventory fit into this scenario, but were not included in the 33 count sample.

This study looked separately at owner occupied and non owner occupied properties. The sample of reoccupied properties did not seem large enough to separate the survey results by the different reoccupation scenarios. An analysis like that would be useful in the future if the neighborhood is interested in promoting a certain kind of owner occupant or type or rehab.

It is hard to make generalizations regarding the rehabs of previous boarded an vacant properties in Central. In talking with owners, each case, each interview was very unique. It would be beneficial to be able to understand the complexity and details of each rehab, but that is not a reasonable expectation considering time constraints. Below are the results of interviews with 22 owner occupants and 11 non owner occupants.

OWNER OCCUPIED SURVEY RESULTS

OWNER CHARACTERISTICS

<u>Response</u>	<u>#</u>
-----------------	----------

SEX

Male	14
Female	8

HOUSEHOLD SIZE OF REOCCUPANTS

1 Person	6
2 People	4
3 People	3
4 People	4
5 People	4
8 People	1

NUMBER IN HOUSEHOLD UNDER 18

0 People	13
1 Person	2
2 People	3
3 People	1
4 People	2
5 People	1

STATUS OF REOCCUPANTS

Married	9
Single	9
Divorced	4

YEAR OF BIRTH

1920 - 1929	1
1930 - 1939	
1940 - 1949	5
1950 - 1959	5
1960 - 1969	10
1970 - 1979	
Didn't respond	1

EDUCATION

Less than high school	1
Some high school	3
High school graduate	2
Some technical school or two-year college	2
Tech school or two-year college graduate	1
Some four-year college	3
Four-year college graduate	4
Post graduate or professional degree	5
Didn't respond	1

RACE

African American/Black	4
American Indian	0
Asian/Pacific Islander	0
Hispanic/Mexican /Latino/Chicano	1
Multiracial	0
White/Caucasian	16
Other	0
Didn't respond	1

INCOME

Under \$15,000	2
\$15,000 - \$25,000	7
\$25,000 - \$50,000	10
\$50,000 - \$75,000	2
\$75,000 - \$100,000	0
\$100,00 or more	0
Didn't respond	1

NUMBER IN HOUSEHOLD THAT CONTRIBUTED TO INCOME

0 People	2
1 Person	13
2 People	4
3 People	1
Didn't respond	2

HOW LONG THEY'VE LIVED IN MINNEAPOLIS

0 - 2 years	0
2 - 5 years	3
5 - 10 years	6
10 - 20 years	5
20+ years	7
Don't Know	1

WHERE THEY LIVED BEFORE THIS PROPERTY

In the neighborhood	3
In a surrounding neighborhood	6
Elsewhere in Minneapolis	9
St. Paul	1
A suburb	2
Out of State	1

HAD BOUGHT A VACANT OR BOARDED HOUSE BEFORE

Yes	1
No	20

KNOW SOMEONE WHO HAS DONE A REHAB OR IS INTERESTED

Know someone who has done a rehab	1
Know someone who is interested	7
Don't know someone	5
Didn't respond	3

WOULD LIKE MORE INFORMATION ON HOME IMPROVEMENT PROGRAMS

Interested	12
Not interested	6
Didn't respond	4

CHARACTERISTICS OF THE REHAB

DATE OF COMPLETION OR ACQUISITION

1993	3
1994	2
1995	9
1996	7
1997	1

HOW LONG BEFORE OCCUPANT COULD MOVE IN

Moved in right away	1
1 - 6 months	2
6 - 12 months	6
12 - 18 months	3
18 - 24 months	1
24+ months	2
Don't know	7

HOW THEY FOUND OUT ABOUT THE PROPERTY

Word of mouth	8
Driving by	6
Real estate agent	2
Housing agency	2
Don't know	2
Posted at Norwest Bank	1
Listed in newspaper	1

WHO THEY BOUGHT THE PROPERTY FROM

MCDA	5
HUD	3
Previous owner	3
PRG	3
SNHS	3
GMHC	1
Habitat for Humanity	1
Honeywell	1
Tax forfeit	1
A bank	1

AGENCIES USED

MCDA	5
SNHS	5
HUD	3
PRG	3
Honeywell	1
TCF	1
Burnett Realty	1
Turned down	1
No agencies used	3

PROGRAMS USED

Hope 3	5
Some SNHS	4
MCDA Historic Rehab Grant	1
Some Honeywell	1
TCF	1
Fannie Mae	1
Take Credit	1
Home buyers workshop	1

COST TO ACQUIRE

\$2,000 - \$15,000	3
\$15,000 - \$30,000	2
\$30,000 - \$60,000	8
\$60,000 - \$90,000	8

INITIAL CONDITION OF HOUSE

Vacant & Boarded (condemned)	14
Vacant & Boarded (not condemned)	4
Vacant	2
Unclear	2

HOW MUCH MONEY INTO REHAB

Little	6
\$2,000 - \$15,000	5
\$15,000 - \$30,000	0
\$30,000 - \$60,000	6
\$60,000 - \$90,000	1
\$90,000 - \$120,000	1
Over \$120,000	1
Don't know	2

CHANGES MADE

(see discussion)

FUNDING AND FINANCING

Personal Loan	1
Agency Loan	2
Bank Mortgage	9
Agency Mortgage	2
Community Service =\$	1
Grant	5
Own \$	6
Looked for Bargains	1
Credit union	1

FUTURE PLANS

Continue work	10
Done with work	0
Reside	13
Sell	4
Move and rent	1
Already sold	2
Don't know	2
Do another rehab	1

THE EXPERIENCE OF DOING A REHAB ON A PREVIOUSLY BOARDED OR VACANT HOUSE

WHAT ATTRACTED THEM TO A BOARDED AND VACANT HOUSE

Value, good deal	7
Older quality house	2
Rehab provided	3
Chance for Artistic Input	2
An investment	1
Fix up for low income	1
Owner has construc. or rehab skills	1
More space	1
Liked that particular house	1
Wanted to own a home	1

WHAT ATTRACTED THEM TO THEIR PARTICULAR HOUSE

Cost	18
People in the neighborhood	9
Characteristic of the house	9
Location	8
Neighborhood characteristic	6
Work needed	4
Resale value	3
House slated for renovation	2
Rehab done by an agency	2
Financial assistance	2
That's what a program offered	1

WHAT WOULD HAVE BEEN HELPFUL TO KNOW

Nothing - knew what to expect	6
How long the rehab process takes	4
More about the neighborhood	3
The city's code requirements for a boarded and vacant house	3
The extent of rehab costs	2
My financial obligations	1
What agency rehabbing did not do	1
Work is tiring - physically and mentally	1
How to access more financial help	1
Hired workers are sometimes unreliable	1

THE ADVANTAGES OF OCCUPYING A PREVIOUSLY BOARDED OR VACANT HOUSE

Low entry cost	6
Old quality house - keeping a part of history	5
Everything up to code - new mechanics	5
Doing a rehab allows self expression	4
Pride in upgrading neighborhood	4
Big house	3
Don't know	2
Value of house rises	1
Agency that did rehab helps to maintain	1
Brings neighbors together	1
Pride in work you have done	1
There are no advantages	1
No surprises - everything needs work	1

THE DISADVANTAGES

Neighborhood crime	5
Old house = oddities and higher utility bills	4
Work is tiring, stressful	4
There are no disadvantages	4
Don't know	4
Rehab takes a long time	3
Feel trapped in a program or financing	1
Hard to screen tenants (multi unit structure)	1
Victimized by perceptions of Central	1

DIFFICULTIES THAT REHABBERS AND OWNER OCCUPANTS HAVE

There were no difficulties	6
Hassles from inspections department	4
Red tape - bureaucracy throughout process	3
Don't know	3
Crime - theft during rehab	2
Financing is hard to get	1
Incomplete rehab work by an agency	1
Hard to organize block club	1
Rules and restrictions - no special circumstances allowed	1
Funding is hard to get	1
Hassles from MCDA	1

NON OWNER OCCUPANT SURVEY RESULTS

CHARACTERISTICS OF NON OWNER OCCUPANTS WHO REHABBED A BOARDED OR VACANT HOUSE

SEX

Male	9
Female	2

STATUS

Married	10
Single	1

YEAR BORN

1910-1920	1
1920-1930	0
1930-1940	1
1940-1950	1
1950-1960	3
1960-1970	2

EDUCATION

Less than high school	0
Some high school	0
High school graduate	0
Some technical school or 2-year college	1
Technical school or 2-year college graduate	0
Some 4-year college	3
4-year college graduate	2
Post graduate or professional degree	3
Other: Business/Real estate	1
Didn't respond	1

RACE

African American/Black	4
American Indian	0
Asian/Pacific Islander	0
Hispanic/Mexican/Latino/Chicano	0
Multiracial	0
White/Caucasian	7

INCOME

Under \$15,000	
\$15,000 - \$25,000	2
\$25,000 - \$50,000	2
\$50,000 - \$75,000	3
\$75,000 - \$100,000	2
\$100,000 or more	2
Didn't respond	2

WHERE THEY LIVE

In the neighborhood	0
In a surrounding neighborhood	1
Somewhere else in Minneapolis	0
St. Paul	1
A suburb	9

BOUGHT A BOARDED OR VACANT PROPERTY BEFORE

Yes	6
No	5

KNOW SOMEONE WHO HAS DONE A REHAB OR IS INTERESTED

Know someone who has done a rehab	3
Know someone who is interested	1
Don't know someone	2
Did not respond	5

WOULD LIKE MORE INFORMATION ON HOME IMPROVEMENT PROGRAMS

Interested	2
Not interested	8
Didn't respond	1

CHARACTERISTICS OF THE REHAB AND MAINTENANCE

DATE COMPLETED OR ACQUIRED

1993	2
1994	4
1995	4
1996	1
1997	0

WHERE THEY LEARNED ABOUT THE PROPERTY

Friend or relative in real estate business	6
Newspaper	3
Word of mouth	2

WHO THEY BOUGHT PROPERTY FROM

Previous owner	4
HUD	4
Tax forfeit	1

WHAT AGENCIES THEY USED

None	6
HUD	3
SNHS	1

REAL ESTATE AGENT USED

Yes	3
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COST TO ACQUIRE

\$2,000 - \$15,000	2
\$15,000 - \$30,000	4
\$30,000 - \$60,00	1
\$60,000 - \$90,000	
\$90,000 or more	1
Don't know	4

INITIAL CONDITION

Vacant & Boarded (condemned)	10
Boarded, but occupied	1
Vacant	0
Vacant & Boarded (not condemned)	0

MONEY INTO REHAB

\$2,000 - \$15,000	1
\$15,000 - \$30,000	0
\$30,000 - \$60,000	8
\$60,000 - \$90,000	1
Don't know	1

CHANGES MADE

see discussion

FUNDING AND FINANCING

Own money	10
Private investor money	2
Mortgage	3

FUTURE PLANS

Sell to whoever	5
Sell to an owner occupant	2
Continue renting	3
Interested in selling	1
Already sold	2

HOW OFTEN THEY VISIT

2 - 5 times per week	5
every other week	2
2 - 5 times per month	1
1 - 2 times per month	2
Not applicable	1

WHAT IT WOULD TAKE TO PUT MORE MONEY INTO THE PROPERTY

We already have high standards	3
Grants	3
A decrease in taxes or inflation	2
An increase in rent	1
Below market interest rates	1
Don't know	1

THE NON OWNER OCCUPANTS EXPERIENCE OF REHABBING A PREVIOUSLY BOARDED OR VACANT PROPERTY

WHY THEY CHOSE A BOARDED OR VACANT PROPERTY

Tired of seeing boarded and vacant properties in the neighborhood	2
For future income, an investment	4
Low entry cost, value for size	3
Gratitude from people in neighborhood	1
Research	1
Prevents a demolition	1

WHY THEY CHOSE THEIR PARTICULAR PROPERTY

Cost	7
Work needed	5
Resale value	4
Neighborhood characteristic	3
People in neighborhood	2
Location	1

THEY WOULD LIKE TO HAVE KNOWN

Code requirements for a boarded or vacant property	2
Landlords can't get funding	1
It's hard to evict bad tenants	1
All responsibilities of a landlord	1
How to buy building from city - cheaper	1
Taxes rise after a rehab	

ADVANTAGES OF OWNING A PREVIOUSLY BOARDED OR VACANT PROPERTY

Adding to community	2
Good value	2
Have an asset	2
Made a home for someone	1
Provided construction jobs in the neighborhood	1
Prevents a demo	1

DISADVANTAGES

Non-homestead taxes	3
Tenants are sometimes trouble	3
Everything is on landlord's shoulders	2
It's hard to get funding	1

DIFFICULTIES THAT NON OWNER OCCUPANTS HAVE

Policies are against non owner occupants	3
Unclear code requirements	1
Inspections hassles - you're never done	1

V. DISCUSSION

An elaboration of some survey results, especially those concerning the experiences of owners, is necessary to be able to advise future owners and rehabbers on what to expect. In some cases specific examples are included to emphasize the importance of a certain common response. Those discussed most in this section are those which would be hard to analyze quantitatively. For example, it is inaccurate to present data that shows the number of houses that initially had broken windows. Water damage may stick out more prominently in the owner's mind so that is all they mention.

LEARNING FROM EXPERIENCE

When we asked owners what they would like to have known, there were three overwhelming responses: the length of time a rehab takes, the amount of money it requires, and the code requirements for boarded and vacant houses. First, on average, those surveyed mentioned a time of around one year before they were able to move into the house. That time is taken up not only by the rehab work, but also by the processes of decision making, neighborhood approval and closing. Secondly, a rehab requires a large sum of money. It would be helpful for those getting involved in the rehab of a boarded or vacant house to know costs for repair and replacement of a house's functional elements. These jobs often eat up funds that in their minds would be available for cosmetic work. Third, a number of those surveyed had not been aware that rehabilitation of a condemned house needs to meet standards set by the city inspections department. This includes using a licensed and bonded contractor to complete electric and plumbing work. Some rehabbers were surprised and disappointed as they had planned on doing this work themselves. Requirements of a code compliance was the number one complaint landlord not living in their building. Many landlords said that the extent of repairs was sometimes ridiculously unnecessary. Somewhere in the process of acquiring a condemned property, these requirements should be made clear. One owner occupant suggested checking the inspections department for a list of code violations before purchasing a condemned house.

Advantages

Owner occupants had several good things to say about their experience doing a rehab on a previously boarded or vacant house. The low entry cost was the advantage mentioned most often. Many said they now live in a house that they would not have been able to afford otherwise. It is a great value in terms of the large size and valuable older character of the structure.

Several participants noted pride in the work as a major advantage. This encompasses saving a good house from being demolished, as well as upgrading both the house from what it used to be and the neighborhood by increasing the property value. One interviewee explained, "I didn't want this piece of history to be destroyed. That kind of woodwork doesn't exist anymore and new construction doesn't blend well with the surrounding houses."

Another advantage is the input an owner has into the design of a rehabbed boarded or vacant structure. With many rehabs starting from scratch on the interior, there was much room for creative and artistic contribution. One rehabber explained, "Once one of these houses is restored, it is unique to any new house, in terms of style, size and stability."

In a number of cases, reoccupants of previously boarded or vacant houses acquired the property after it had been completely rehabbed by an agency such as MCDA, SNHS or PRG. These reoccupants saw entering into a house that had just been completely rehabbed as the major advantage siting that it contained new functional systems and a polished appearance.

Disadvantages and Difficulties

The process of rehabbing a boarded or vacant house does present difficulties and disadvantages that acquiring a normal house would not. Crime in the neighborhood surfaced as the most frequently mentioned problem. Of concern especially to those occupants with children are incidences of drug sales, shootings, and intruders. Theft of tools also set a number of rehabs slightly back in terms of time and money. And while these occurrences exist, media coverage limited to gang violence, perpetuates a harmful perception of Central Neighborhood. Some owners sited this perception as an obstacle to private investment and financing from banks and other lending agencies. A number of informants expressed, that rehab work can be physically and emotionally tiring. This may stem from another difficulty sited with just as much frequency: the bureaucracy and red tape involved in the process of rehabbing a boarded or vacant house. There may be many agencies involved in a rehab including the new owner, the previous owner, a housing service, the neighborhood organization, block clubs and others. They all must approve any decisions made. Without policy changes, time and energy will continue to be tied up in this way. Prospective owners and rehabbers should be informed of this and encouraged to be both persistent and patient.

COMMON REHAB CHARACTERISTICS

Boarded or vacant houses attract people for several reasons. Obviously, for those who are willing to invest some time and money, the cost to acquire these properties draws people for financial reasons. It seems important for the neighborhood to try to recruit those people who also show interest in the historic value of salvaging a boarded and vacant house and the benefit a rehab will have on the neighborhood. These are some of the same people who mentioned the chance for artistic expression, keeping a part of history and upgrading the neighborhood as advantages of rehabbing a boarded or vacant house.

One thing that came through very clearly and unanimously was the poor initial condition of these properties. The results above show whether it was technically condemned or not. In terms of more detailed descriptions, owners used phrases like pathetic, terrible and in shambles. They most frequently mentioned lack of functional plumbing, heat and electricity. Many remembered that things such as woodwork and stain glass windows had been stolen, as well as incidences of vandalism. Often they described a lawn polluted with trash, overgrown weeds and a house abandoned except for roaches, maggots and mice.

The rehabs undertaken on these properties were often equally extensive. Those interviewed either described in great detail the changes made or summed it all up by explaining that they had fixed and changed everything. Many properties were converted from a duplex to a single family dwelling. Following code requirements, many properties received new plumbing, heating, electric, windows, kitchens, bathrooms and removal of lead paint. Also mentioned frequently was cosmetic work such as painting, wall paper, and decorating, as well as the addition of a back deck or patio.

Considering the poor condition of many boarded and vacant properties, the cost of rehab is the main obstacle to their reoccupation. The survey in this project posed very general questions regarding funding and financing. We asked for acquisition cost and the amount of money that has gone into rehab work. However The Geography of Housing explains, "For many households, it is not the nominal price of the unit which is important, however, but the monthly carrying costs (mortgage plus taxes, utilities and maintenance) and the cash requirement in terms of a down payment."⁶ Based on this idea, future research should inquire about people's financing with these specifics in mind.

Of the properties studied in this research, there were many more cases of funding provided to owner occupants as that is something housing agencies usually wish to promote. The following agencies were cited as providing assistance in the form of low interest loans, mortgages, grants and incentives: Minneapolis Community Development Agency (MCDA), Southside Neighborhood Housing Services (SNHS), Powderhorn Residents Group (PRG), Project for Pride in Living

⁶ Bourne, Larry S., *The Geography of Housing*, New York, 1981, p.85

(PPL), Federal Housing Authority (FHA), Norwest Bank, First Bank, TCF Bank, and Honeywell. In general those interviewed afforded a rehab by piecing together funds from a combination of these sources and their own savings. For most of the non owner occupied properties, private dollars funded the major part of their rehabs. Both owner occupants and landlords expressed the desire for more financial assistance from housing agencies.

MARKETING SUGGESTIONS

Who Reoccupies Boarded or Vacant Properties and Where They Come From

The results of this survey lead to a number of suggestions for the marketing of boarded or vacant houses in Central Neighborhood. With funding available from various housing programs, boarded and vacant houses are a resource and a tool to upgrade the neighborhood and provide homes to interested households. It seems however that opportunities to use these resources are lost because the information of a house's availability did not reach an interested party in time avoid condemning deterioration or demolition. Ideally, there would be a way to learn of and market vacant houses before they become condemned and definitely before they are demolished. Overall the objectives of suggestions below are to reach more people with information about available properties and to reach people from groups who have not yet participated in this process. Addressed are who should be targeted for marketing, where to market and how to market boarded and vacant houses.

Based on this study, rehabs of boarded or vacant properties have attracted a variety of household types. The results show that both single person and multiple person households are represented in fairly equal numbers. However a majority of owners did not have kids and were born between 1960 and 1969. A lot of these owners are probably in an early home buying stage. Therefore marketing strategies could focus on first or second time home buyers.

Non owner occupant landlords from this survey were most often older than their owner occupant counterparts. Both African American/Black and White/Caucasian owners were represented fairly equally in this category. Obviously age and race are not indicative of the quality of a landlord. However, where they live and where they have lived in the past may say something about their perceptions and behavior toward an inner city neighborhood. Most landlords we interviewed now live in the suburbs, but a few of them had grown up in South Minneapolis. These owners seemed to have more than money invested in their property. Those non owner occupants who were not able to be reached lived both in the suburbs and within the city

Reoccupation of previously boarded and vacant houses challenges the trend of out-migration from the inner city. It also challenges the idea that people prefer new housing over old.⁷

⁷ *Geography of Housing*, p.34

The majority of owner occupants from this survey previously lived in Minneapolis in a surrounding neighborhood, or in another part of Minneapolis that is similar in terms of housing type and age, or residential population characteristics. These include Lyndale, CARAG, Kingfield and Longfellow neighborhoods. These areas and those surrounding Central will probably give the most response to marketing efforts.

Avenues of Information

Before giving suggestions on ways to market boarded and vacant houses, it would be useful to examine some market characteristics of Central Neighborhood. Approximately 180 single family houses and 72 duplexes were sold in the neighborhood during the past five years. Central Neighborhood is located within a real estate market area where the average sale price for a single family house is \$60,919. These houses stay on the market for an average of 74 days. Similar figures for duplexes in this market area are \$64,859 and 101 days. It is also interesting to look at the market activity by street. Certain streets seem to be more marketable for single family houses than others.⁸ In the future, it will be useful to examine the characteristics of the housing units themselves to determine or predict marketability. These characteristics include the floor area, number of bed and bathrooms, the level of improvements and the presence of a garage.⁹

Based on the survey results and from talks with both occupants and others, it seems there are three avenues for marketing boarded or vacant houses. Those interviewed identified a number of ways in which owners learned about their properties. A similar question was studied 20 years ago and published in The Geography of Housing. See Appendix F for a table of the results. These methods for learning of available properties provide a framework for marketing suggestions.

First, housing agencies such as Southside Neighborhood Housing Services, MCDA and PRG can work separately or together to **create a listing of properties available for rehab**. Apparently a catalog of properties and their pictures is in the works at SNHS. Making this list and other housing resources in a type of library would make this information very accessible as it is located within Central. This must be accompanied by publicity that informs people of the existence of this information. In addition, the Consortium of Community Development is working with HOMES Initiative developers to create a World Wide Web site to advertise available vacant or boarded houses.¹⁰ Computers available to the community could be located at SNHS and other public places, such as the library.

Second, there could be an effort to **engage realtors in the marketing of boarded and vacant houses**. According to The Geography of Housing, "Real estate agents play a very active role in shaping the housing choices available to households through their control of market

⁸ This data gathered from Minneapolis MLS database

⁹ Geography of Housing, p.161

¹⁰ The web page's likely address: <http://www.cando.org>

information."¹¹ Talks with a real estate agent who lives in Central Neighborhood revealed that realtors do not have a listing of available boarded or vacant properties. They would need such a listing to show something to those interested in this type of property. She also suggested that the neighborhood organization could provide some monetary incentive or commission for the marketing and sale of a boarded or vacant property. This idea was supported by another realtor in the area. Non owner occupants seem to have no problem finding properties to acquire for rehab and rental as they are very connected with people in the real estate business and often a frequent source of business.¹² With a subsidy from the neighborhood, real estate agents could be a useful tool for bringing owner occupants to previously boarded and vacant houses.

Third is a method that has been frequently used already. About 36% of those owner occupants surveyed learned about their property through word of mouth advertising. This is a means of advertising by neighborhood residents usually to others who live in or close to the neighborhood. In talking with people during interviews, it became apparant that the best resource for information lies in the neighborhood's residents. To generate more word of mouth advertising, efforts could be made to flyer residences on a block where a boarded or vacant property has become available for someone to acquire. **The flyer would encourage the block's residents to spread the word to friends and family.** It might be more effective to invest the time to personally deliver the same message that the flyer would give. Sometimes people respond better to personal contact.

Word of mouth advertising will most likely bring in people with similar characteristics or values as those serving as messengers. Bringing more people in like those who have completed or are still working on successful rehabs will be a positive action for the neighborhood. However, it seems that there are groups that are under represented in this survey. The Geography of Housing states that, "A person's ability to use the system to gain greater access to housing is dependent on the ability to gain and use information and social contacts."¹³ One resident we interviewed observed that the whole bureaucratic process and lack of financing information could be intimidating to those who don't know how to "jump through hoops" and "work the system." Attempts to alleviate this imbalance could start with more ethnic minorities represented in the decision making process. In addition, marketing of boarded or vacant houses in Central could move to surrounding neighborhoods to try to reach a greater racial and economic diversity. The goal is not necessarily to change the current composition of the neighborhood, but to successfully market across racial, ethnic, cultural and economic lines. This, in order to make the process of acquiring and occupying a previously boarded or vacant house more accessible to anyone who would be interested and dedicated to such a project. Neighbors Helping Neighbors, an

¹¹ *Geography of Housing*, p.85

¹² In talks with real estate investors/landlors outside of this survey, they seem to pick up a lot of tax forfeitures and bank foreclosures. Central Neighborhood could work to be on top of these two areas of availability.

¹³ *Geography of Housing*, p.85

organization dedicated to the cause of assisting non-traditional home buyers in this way does exist, and runs out of the surrounding Phillips Neighborhood. This organization serves as another possible resource for informing interested home buyers in boarded or vacant properties available for rehab.

VI. CONCLUSION

This study has attempted to gather quantitative data on rehabs of boarded and vacant houses that have occurred within the last four years. Numbers presented in this survey may be used by anyone interested in the marketing of boarded and vacant housing. Professionals involved with the housing market may be able to interpret the results in greater depth than has been covered here. However, the small available sample of 33 properties limits the statistical significance. Therefore, our discussion has focused more on the *perceptions* of people who have experienced a rehab. Each owner had ideas as to what worked and what didn't, which will be useful for those who follow in their paths

In order to make the rehab process easier for those who participate in the future, information needs to be communicated more frequently and more completely. The most difficult part of a rehab is being surprised by something that should have been understood from the beginning. Owners need to know what they are getting into in terms of financial and rehab responsibilities. In addition efforts are needed to ensure that owners are educated and consistent when it comes to maintaining their property.

The question of who should be targeted for the marketing of boarded and vacant structures is an issue with no easy answers. Results from this survey show that those who have rehabbed in the past have a fairly equal number of both lower middle and middle level incomes. Whites represent the greatest percentage of those who have done a rehab. Residents have observed that a professional class has been moving into the neighborhood. The Geography of Housing explains that bringing people into the neighborhood who have higher incomes "will attract more in-migrants into that housing market area, it will also stimulate new housing construction and encourage people and institutions to invest in improvements in the existing stock."¹⁴ Most things mentioned above are desirable effects for Central Neighborhood, but the neighborhood also needs to think about the social costs of bringing in people with higher incomes.

Recruiting more people to rehab boarded or vacant structures in Central Neighborhood will entail producing more information on their availability. Three avenues by which this information can be distributed most effectively include through housing agencies, real estate agencies and word of mouth. In addition, efforts should be made to make the process of acquiring a boarded and vacant house for rehab more accessible and less intimidating. Hopefully, suggestions given in

¹⁴ *Geography of Housing*, p.74

this report will be a useful step in the process of getting more rehabs into Central Neighborhood. This project serves at least as a starting block for a larger sample and future research that breaks down the details of specific rehab scenarios.

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Lynn Ogren, Inspections

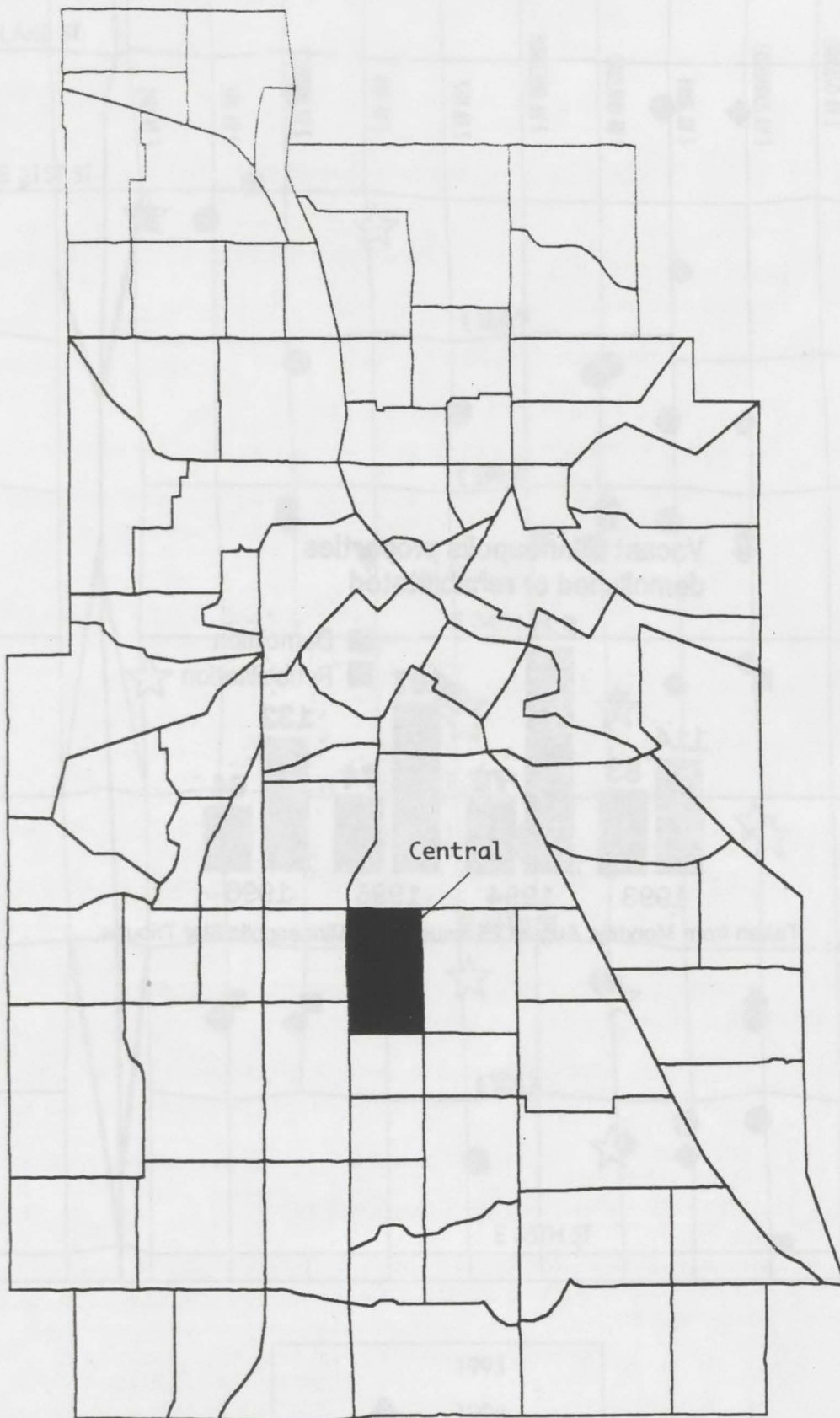
Stuart Alger, University of Minnesota

volunteers at CNIA

residents and owners of property in Central Neighborhood who participated in this survey

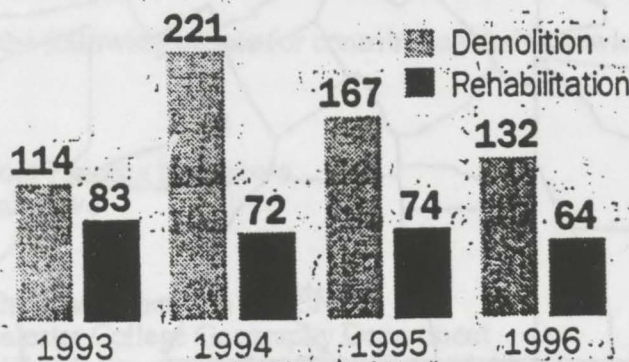
APPENDIX A

Minneapolis Neighborhood Map



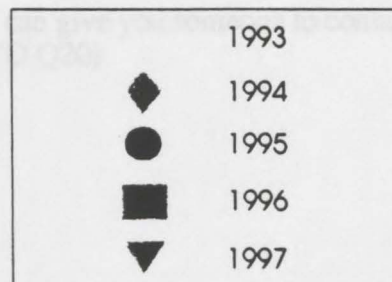
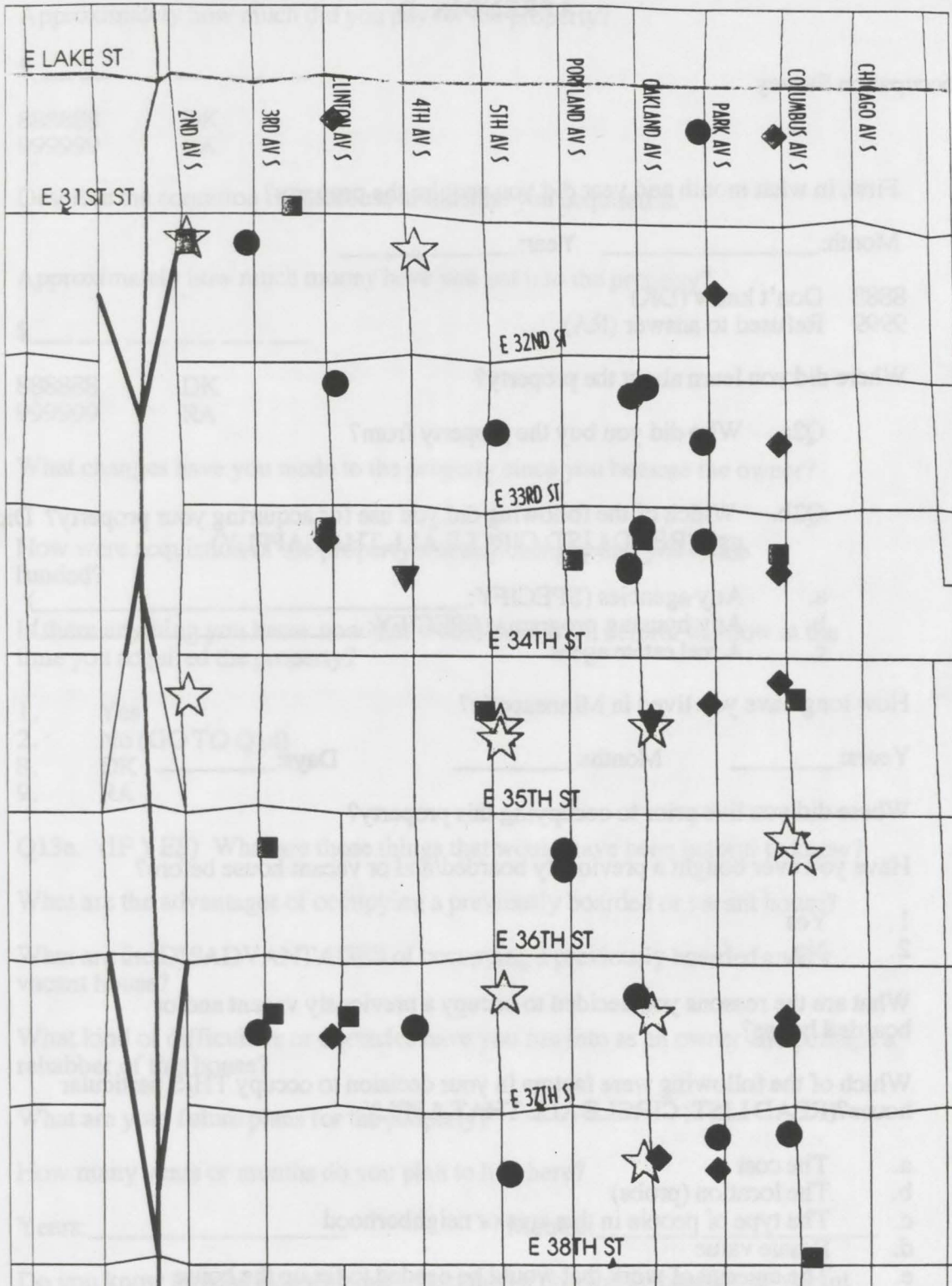
APPENDIX B

Vacant Minneapolis properties demolished or rehabilitated



Taken from Monday, August 25 issue of the Minneapolis Star Tribune

Central Neighborhood Boarded and Vacant Rehabs 1993 -1997



APPENDIX D

Reoccupation Survey

Q1. First, in what month and year did you acquire the property?

Month: _____ Year: _____

8888 Don't know (DK)

9999 Refused to answer (RA)

Q2. Where did you learn about the property?

Q2a. Who did you buy the property from?

Q2b. Which of the following did you use for acquiring your property? Did you use: (READ LIST; CIRCLE ALL THAT APPLY)

- a. Any agencies (SPECIFY: _____)
- b. Any housing programs (SPECIFY: _____)
- c. A real estate agent

Q3. How long have you lived in Minneapolis?

Years: _____ Months: _____ Days: _____

Q4. Where did you live prior to occupying this property?

Q5. Have you ever bought a previously boarded/and or vacant house before?

- 1. Yes
- 2. No

Q6. What are the reasons you decided to occupy a previously vacant and/or boarded house?

Q7. Which of the following were factors in your decision to occupy THIS particular house?(READ LIST; CIRCLE ALL THAT APPLY)

- a. The cost
- b. The location (probe)
- c. The type of people in this area or neighborhood
- d. Resale value
- e. The amount of work that would be needed to fix up the house
- f. A characteristic of this area or neighborhood
- i. Other (SPECIFY: _____)
- j. DK
- k. RA

Q8. Approximately how much did you pay for the property?

\$ _____

888888 DK
999999 RA

Q9. Describe the condition of the house at the time you acquired it.

Q10. Approximately how much money have you put into the property?

\$ _____

888888 DK
999999 RA

Q11. What changes have you made to the property since you became the owner?

Q12. How were acquisition of the property and any changes that you made funded?

Q13. Is there anything you know now that would have been helpful to know at the time you acquired the property?

1. Yes
2. No (GO TO Q14)
8. DK
9. RA

Q13a. (IF YES) What are those things that would have been helpful to know?

Q14. What are the advantages of occupying a previously boarded or vacant house?

Q15. What are the DISADVANTAGES of occupying a previously boarded and/or vacant house?

Q16. What kind of difficulties or obstacles have you run into as an owner and perhaps a rehabber of this house?

Q17. What are your future plans for the property?

Q18. How many years or months do you plan to live here?

Years: _____ Months: _____

Q19. Do you know anyone else who has reoccupied a previously boarded or vacant house, or anyone who would like to do so?

1. Yes (specify and I can give you someone to contact: _____)
2. No (IF NO, GO TO Q20)

Q20. Would you like more information about home improvement programs?

1. Yes
2. No (IF NO, GO TO Q21)

Q20a. What types of home improvement are you most interested in?

Q21. Including yourself, how many people are living in your household?
____ (IF LIVE ALONE, GO TO Q22.)

Q21a. How many of these people are under 18 years of age?

Q22. Are you married, single, divorced, separated, or widowed?

1. Married
2. Single
3. Divorced
4. Separated
5. Widowed

Q23. In what year were you born?

Q24. What is the highest level of school you have completed? (DO NOT READ LIST; CLARIFY IF NEEDED)

01. Less than high school
02. Some high school
03. High school graduate
04. Some technical school or two-year college
05. Technical school or two-year college graduate
06. Some four-year college
07. Four-year college graduate
08. Post graduate or professional degree
09. Other (SPECIFY: _____)

Q25. What race do you consider yourself? (DO NOT READ LIST UNLESS NEEDED)

1. African American/Black
2. American Indian
3. Asian/Pacific Islander
4. Hispanic/Mexican/Latino/Chicano
5. Multiracial, no dominant racial identification
6. White/Caucasian
7. Other (SPECIFY: _____)

Q26. I am going to mention a number of income categories. When I come to the category which describes your total household income BEFORE taxes in 1996, please stop me.

1. Under \$15,000
2. \$15,000 - \$25,000
3. \$25,000 - \$50,000
4. \$50,000 - \$75,000
5. \$75,000 - \$100,000
6. \$100,000 or more

Q27. How many persons in the household contributed earnings or income that was part of the total household income you gave me for 1996?

Q.28 Would you be open to me calling again if I have any more questions?

1. Yes
2. No

Q29. Are you male or female?

1. Male
2. Female

Thank you for answering all these questions. I really appreciate your time.

APPENDIX E

Non-owner occupant Reacquisition Survey

Q1. First, in what month and year did you acquire the property?

Month: _____ Year: _____

Q2. Where did you learn about the property?

Q2a. Who did you buy the property from?

Q2b. Which of the following did you use for acquiring your property? Did you use: (READ LIST; CIRCLE ALL THAT APPLY)

- a. Any agencies (SPECIFY: _____)
- b. Any housing programs (SPECIFY: _____)
- c. A real estate agent

Q3. Where do you live

- 1. In the neighborhood
- 2. In a surrounding neighborhood
- 3. Somewhere else in Minneapolis
- 4. St. Paul
- 5. A Suburb
- 6. Other (Specify: _____)

Q4. Have you ever bought a previously boarded/and or vacant house before?

- 1. Yes
- 2. No

Q5. What are the reasons you decided to acquire a previously vacant and/or boarded house?

Q6. Which of the following were factors in your decision to acquire THIS particular house?(READ LIST; CIRCLE ALL THAT APPLY

- a. The cost
- b. The location (probe)
- c. The type of people in this area or neighborhood
- d. Resale value
- e. The amount of work that would be needed to fix up the house
- f. A characteristic of this area or neighborhood
- i. Other (SPECIFY: _____)

Q7. Approximately how much did you pay for the property?

\$ _____

Q8. Describe the condition of the house at the time you acquired it.

Q9. Approximately how much money have you put into the property?

\$ _____

888888 DK
999999 RA

Q10. What changes have you made to the property since you became the owner?

Q11. How were acquisition of the property and any changes that you made funded?

Q12. Is there anything you know now that would have been helpful to know at the time you acquired the property?

1. Yes
2. No (GO TO Q13.)
8. DK
9. RA

Q12a. (IF YES) What are those things that would have been helpful to know?

Q13. What are the advantages of acquiring a previously boarded and/or vacant house?

Q14. What are the DISADVANTAGES of acquiring a previously boarded and/or vacant house?

Q15. What kind of difficulties or obstacles have you run into as an owner and perhaps a rehabber of this house?

Q16. What are your future plans for the property?

Q17. How often do you visit the property?

Q18. What would it take for you to put more money into your property?

Q19. Do you know anyone else who has reoccupied a previously boarded or vacant house, or anyone who would like to do so?

1. Yes (specify and I can give you someone to contact: _____)
2. No (IF NO, GO TO Q20)

Q20. Would you like more information about home improvement programs?

1. Yes
2. No (IF NO, GO TO Q21)

Q20a. What types of home improvement are you most interested in?

Q21. Are you married, single , divorced, separated, or widowed?

1. Married
2. Single
3. Divorced
4. Separated
5. Widowed

Q22. In what year were you born?

Q23. What is the highest level of school you have completed? (DO NOT READ LIST; CLARIFY IF NEEDED)

01. Less than high school
02. Some high school
03. High school graduate
04. Some technical school or two-year college
05. Technical school or two-year college graduate
06. Some four-year college
07. Four-year college graduate
08. Post graduate or professional degree
09. Other (SPECIFY:_____)

Q24. What race do you consider yourself? (DO NOT READ LIST UNLESS NEEDED)

1. African American/Black
2. American Indian
3. Asian/Pacific Islander
4. Hispanic/Mexican/Latino/Chicano
5. Multiracial, no dominant racial identification
6. White/Caucasian
7. Other (SPECIFY:_____)

Q25. I am going to mention a number of income categories. When I come to the category which describes your total household income BEFORE taxes in 1996, please stop me.

1. Under \$15,000
2. \$15,000 - \$25,000
3. \$25,000 - \$50,000
4. \$50,000 - \$75,000
5. \$75,000 - \$100,000
6. \$100,000 or more

Q26. Would you be open to me calling again if I have any more questions?

1. Yes
2. No

(Q27. Are you male or female?)

APPENDIX F

Table 6.2. Sources of Information in the Search for Housing
(in percent)

Source	Initial information sources	Source for final choice	
Real estate agencies	13.3	39.6	
Local government agencies	2.9	2.5	
Citizens' bureau	<u>1.1</u>	—	
Friends and relatives	19.8	21.6	42.1
At work	4.4	2.5	
Business contacts	<u>6.2</u>	<u>9.1</u>	
Looking around	18.7	4.7	33.2
Accidental observation	<u>1.8</u>	<u>2.5</u>	
	20.5		7.2
Other	2.0		3.6
No response	9.0		0.5

Source: Johnson et al., 1974, p. 236.

The role of information on housing opportunities is obviously critical. The sources of information available and used by households, as Palm (1978) and numerous others have shown, act to shape the pattern of housing demand and the workings of the housing market (Chapter 4). Those sources include the mass media (newspapers, radio, TV), specialized agencies (estate agents, citizen bureaus, and housing authorities), informal networks of direct and indirect social contacts (friends, relatives, work associates), and simply "looking around."

Although the specific balance of information sources used varies with the area studied, a surprisingly large proportion of households rely on a limited number of informal sources (Barrett, 1973). Johnson et al. (1974), for example, estimate that nearly 33% of their sample found their new accommodation through friends, relatives, business contacts, or work-mates (Table 6.2). They noted that newcomers tend to rely on more formal channels of information, as do higher income and professional households. Lower-income households tend to rely more on informal channels.¹⁰ This perhaps is not surprising given the relatively high costs of engaging real estate agents. Reliance on personal contacts also tends to restrict the geographic area of search, often to the household's current residential area or to other neighborhoods which are familiar and of roughly similar social status. Some researchers have found empirical evidence that these restrictions lead to a *sectoral bias* in housing search (following established sectors of socioeconomic status) and a *distance-decay effect*, in which the alternatives examined fall off sharply with increased distance from the home. But these are perhaps less significant than the simple fact that the search is restricted to a limited range of housing and neighborhood types.¹¹

Despite the rather formal and mechanistic nature of the preceding model formulation, it does at least provide an idealized context within which to identify the basic components in a process of decision making which is far from simple or straightforward. In fact, the difficulty of applying this formulation to any real-world situation—and there have been few detailed empirical studies—is precisely that the information required to test each concept is excessively large. This should not, however, deflate the usefulness of the rich array of ideas contained in the model as a framework for studies of specific areas or groups of households.